

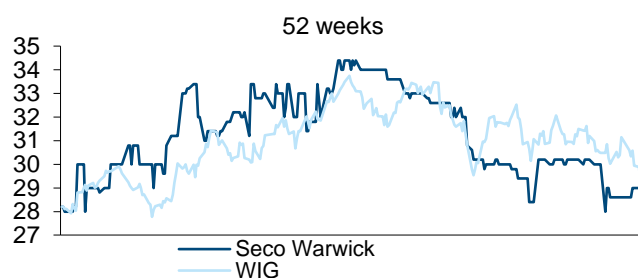
## COMPANY REPORT

# Seco Warwick

## Hold

PLN mn	2023	2024e	2025e	2026e
Net sales	683.7	712.6	753.3	789.9
EBITDA	56.8	43.5	48.0	56.0
EBIT	40.5	26.0	29.5	35.8
Net result after min.	35.4	18.3	20.5	25.1
EPS (PLN)	3.54	1.83	2.05	2.51
CEPS (PLN)	5.17	3.59	3.90	4.53
BVPS (PLN)	24.29	25.12	26.17	27.45
Div./share (PLN)	1.00	1.00	1.00	1.23
EV/EBITDA (x)	5.6	7.7	7.0	5.8
P/E (x)	8.5	15.8	14.1	11.5
P/CE (x)	5.8	8.1	7.4	6.4
Dividend Yield	3.3%	3.4%	3.4%	4.2%

Share price (PLN) close as of 21/11/2024	29.0
Number of shares (mn)	10.0
Market capitalization (PLN mn / EUR mn)	290 / 67
Enterprise value (PLN mn / EUR mn)	334 / 77



Performance	12M	6M	3M	1M
in PLN	2.8%	-14.7%	-4.0%	-3.3%

Reuters	SWG.WA	Free float	34.5%
Bloomberg	SWG.PW	Shareholders	SW Holding (32.9%)
Div. Ex-date			SecoWarwick (13.84%)
<b>Target price</b>	<b>29.3</b>	Homepage:	<a href="https://www.secowarwick.com">https://www.secowarwick.com</a>

### Analyst:

Jakub Szkopek  
 +48 22 257 5753  
[jakub.szkopek@erstegroup.com](mailto:jakub.szkopek@erstegroup.com)

## Prospects slightly better, but forecasts down for 2024

**We are lowering our 2024 outlook due to weaker earnings momentum in 2Q24 and 3Q24, and our target price for Seco Warwick to PLN 29.3/share (previously PLN 30.9/share). We reiterate an unchanged Hold recommendation.**

Lower order contracting in IH24 and weaker earnings momentum in 2Q24 and 3Q24 are forcing us to revise our 2024 earnings forecast downward. On the other hand, the observed rebound in contracting in 2H24, combined with the observed weakening of the PLN should translate into improved results in 2025. The biggest challenge for Seco Warwick is the currently observed slowdown in European industry and weak sentiment in the automotive industry in China. The company nevertheless, in our view, could benefit from clear exposure to the US market due to a possible acceleration of the local economy following Donald Trump's win.

According to our estimates, Seco Warwick will still post earnings declines in 4Q24, which may reverse as early as 2Q25. In our view, the company may record an order backlog close to its record high at the end of 2024.

Seco Warwick is currently trading close to its peer group on P/E and EV/EBITDA ratios. We also assume that the company will return to generating positive FCFF in 2025 and 2026. A certain game-changer would be the start of serial sales of reduction furnaces at the Green Iron project (part of the NG-DRI plant in the energy transformation of steelmaking).

## Risk factors

1. **High sensitivity of results to business cycles.** Historically, Seco Warwick's sales and results have been highly dependent on business cycles (capital goods market). A pronounced downturn could lead to a drastic decline in sales revenues and, consequently, financial results (see 2009).
2. **Strengthening of PLN against USD.** The strengthening of the zloty against foreign currencies is one of the biggest challenges for Seco Warwick from the point of view of competitiveness and the profitability of contracts executed. The plants in Poland are most exposed to currency risk (Europe ~30% of sales; 30% of sales in EUR, 20% in USD). The company hedges 60% of the net contract exposure at the time of contract conclusion. Companies in the US contract in USD and those in China mainly in CNY.
3. **High exposure to China.** Currently, more than 30% of the group's sales are realized in Asia (primarily China). In contrast, China accounted for 55% of the group's realized EBIT in 2022. A possible drastic economic slowdown in China, a US-China trade war, and a war over Taiwan could negatively affect the economic situation in China and, indirectly, the performance of the company there.
4. **Increase in personnel costs and access to highly qualified staff.** After material and energy costs, personnel costs are the second-largest category, accounting for 22% of total costs in 2022. Seco Warwick's workforce is primarily skilled engineers (over 60%), who are often attracted by competing companies. The group must keep salaries at a competitive level to avoid the migration of talent out of the group. Seco Warwick is opening offices in locations where access to staff is better, e.g. Zielona Góra and Tarnowskie Góry, near Poznań.
5. **Exposure to defense industry.** Seco Warwick also has exposure to the defense industry (aircraft, helicopters, military drones) as a result of significant sales to the aerospace industry (approx. 1/3 of sales). In our view, exposure to the defense industry does not exceed 10% of total revenues. Some investors may statutorily exclude investments in companies with exposure to the defense industry, which may narrow the pool of potential investors (on the other hand, it is one of the factors for revenue growth).
6. **Risk of trade barriers.** The technological sophistication of Seco Warwick's products may result in part of the product range being subject to sanctions in the future, as was the case in Russia. The company has an outstanding deposit of EUR 252,000 relating to a contract that cannot be completed due to the sanctions in place (to date, a significant - more than 80% - part of the contract has been completed, all existing receivables have been paid by the counterparty). Also currently, trade barriers between China and India mean that Seco Warwick in China cannot supply products to India. The group plans to return to India in the future by building a branch there (there is already a sales & service division there).

## Valuation

We base our valuation of the Seco Warwick group on a 50% discounted cash flow method and a 50% comparative valuation.

(PLN)	Weight	Price
Relative valuation (PLN)	50%	31.2
DCF valuation (PLN)	50%	27.4
<b>12M target price per share (PLN)</b>		<b>29.3</b>

Source: Erste Group Research

## Relative valuation

In the comparative valuation, we seek to benchmark Seco Warwick's performance against industrial capital goods producers. We include a 20% discount in the valuation due to the fact that the comparators are clearly larger in terms of business scale and many have greater sales diversification.

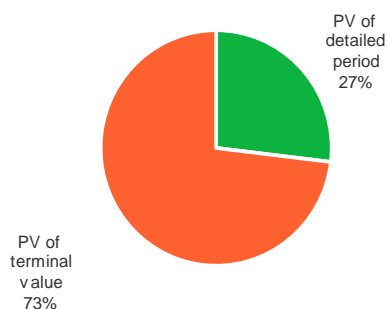
	P/E			EV/EBITDA			Dyield		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
AMG CRITICAL MAT	-	9.9	7.6	7.3	5.5	4.7	2.1%	3.9%	4.5%
PVA TEPLA AG	8.7	9.7	8.2	5.1	5.5	4.7	-	-	-
ANDRITZ AG	9.8	9.2	8.2	5.3	5.3	4.7	5.1%	5.4%	6.0%
MITSUBISHI HEAVY	26.7	22.9	20.2	15.2	13.7	12.6	1.1%	1.2%	1.5%
AIDA ENGINEERING	-	-	-	-	-	-	-	-	-
DANIELI & CO	6.8	6.5	-	-	-	-	1.6%	2.2%	-
GEA GROUP AG	16.8	15.5	14.1	9.6	9.1	8.5	2.5%	2.8%	3.1%
JUDGES SCIENTIFI	32.7	24.3	21.8	20.6	16.1	14.9	1.1%	1.2%	1.4%
EINHELL (HANS)-P	-	-	-	-	-	-	-	-	-
PALFINGER AG	7.4	9.2	6.9	5.6	5.9	5.6	4.8%	4.1%	5.1%
INTERROLL HLDG-R	26.9	22.7	20.7	15.8	13.7	12.5	1.4%	1.6%	1.7%
MIN	6.8	6.5	6.9	5.1	5.3	4.7	1.1%	1.2%	1.4%
MAX	32.7	24.3	21.8	20.6	16.1	14.9	5.1%	5.4%	6.0%
<b>Median</b>	<b>13.3</b>	<b>9.9</b>	<b>11.2</b>	<b>8.5</b>	<b>7.5</b>	<b>7.1</b>	<b>1.8%</b>	<b>2.5%</b>	<b>3.1%</b>
Seco Warwick	15.8	14.1	11.5	7.6	6.9	5.8	3.4%	3.4%	4.2%
premium (discount)	19%	43%	3%	-10%	-8%	-18%	90%	41%	36%
<b>Implied valuation</b>									
Median	13.3	9.9	11.2	8.5	7.5	7.1			
Discount	20%	20%	20%	20%	20%	20%			
Weight of the indicator		50%			50%				
Weight of the year	33%	33%	33%	33%	33%	33%			
Target value per share (PLN)	29.6								
<b>12m target value per share (PLN)</b>	<b>31.2</b>								

Source: consensus data provider, Erste Group Research

## DCF valuation

- 5-year forecast period.
- Risk-free rate of 5.75% (10-year government bond yield).
- Beta 1.2. High volatility of past performance (capital goods market exposed to business cycles).

	2024e	2025e	2026e	2027e	2028e	TV
Risk free rate	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Equity risk premium	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Beta	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%
Cost of debt	5.8%	5.8%	5.7%	5.7%	5.7%	5.7%
Effective tax rate	19.8%	20.0%	22.0%	22.0%	22.0%	22.0%
Equity weight	88%	87%	90%	92%	94%	96%
WACC	11.5%	11.4%	11.0%	11.0%	11.1%	11.3%
<b>DCF valuation</b>						
(mn PLN)	2024e	2025e	2026e	2027e	2028e	TV
Sales growth	4.2%	5.7%	4.9%	3.1%	2.5%	2.2%
EBIT	26	29	36	37	39	39
EBIT margin	3.6%	3.9%	4.5%	4.5%	4.7%	4.6%
Tax rate	19.8%	20.0%	22.0%	22.0%	22.0%	22.0%
Taxes on EBIT	5	6	8	8	9	9
<b>NOPAT</b>	<b>21</b>	<b>24</b>	<b>28</b>	<b>29</b>	<b>31</b>	<b>30</b>
Depreciation	18	18	20	20	20	
CAPEX	-50	-25	-19	-20	-20	
Working Capital	-4	-1	-1	0	1	
Other	0	0	0	0	0	
FCF to the firm	-16	16	28	29	32	31
<b>Discounted cash flow</b>	<b>56</b>	<b>36</b>	<b>-14</b>	<b>13</b>	<b>21</b>	<b>19</b>
Terminal value growth	2.0%					
Terminal value	330					
Discounted FCF	193					
<b>Enterprise value</b>	<b>264</b>					
Minorities	3					
Net debt	42					
Other adjustments	40					
<b>Equity value</b>	<b>259</b>					
Number of shares (mn)	10					
Cost of equity	5.7%					
<b>12M target value per share (P)</b>	<b>27.4</b>					
Up/Down side	-6%					



WACC

**Terminal value growth**

	0.0%	1.0%	2.0%	3.0%	5.0%
+1,0 p.p.	22.9	23.6	24.4	25.3	26.3
+0,5 p.p.	24.1	24.9	25.8	26.8	27.9
+0,0 p.p.	25.5	26.4	<b>27.4</b>	28.5	29.8
-0,5 p.p.	26.9	28.0	29.1	30.4	31.9
-1,0 p.p.	28.6	29.8	31.1	32.6	34.2

## Seco Warwick forecast update

We are lowering our earnings forecast for 2024 due to weaker earnings momentum in 2Q24 and 3Q24 and weaker new order intake in 1H24. We now envisage lower 2024 turnover in the Vacuum Furnaces and Aftersales segments. We expect higher turnover in the CAB AP segment in 2024 than we previously anticipated.

In 2025, we assume that sales might be 15% higher than we previously anticipated, mainly due to high contracting of orders in 2H24. We leave our earnings forecast for 2025 unchanged.

	2024e	2025e	2026e	2027e	2028e
Revenues	-0.2%	+14.9%	+13.9%	+9.0%	+9.1%
EBITDA	-18.2%	+0.2%	+9.5%	-12.3%	-7.5%
Net profit	-29.1%	+2.0%	+10.2%	-22.8%	-15.9%
DPS	0.0%	0.0%	+2.0%	+10.2%	-22.8%
Vacuum furnaces	+0.3%	+28.4%	+5.4%	-11.4%	-13.0%
CAB AP	+22.0%	+38.5%	+4.8%	+16.5%	+9.0%
Vacuum metallurgy	-8.5%	+15.7%	+10.4%	+17.7%	+14.1%
Aftersales	-3.0%	-8.0%	+36.1%	+13.6%	+28.1%
Backlog	+30.7%	+19.8%	+10.5%	+7.1%	+4.5%
New orders	+33.1%	+5.4%	+6.5%	+6.4%	+6.4%

## 3Q24 results review

Seco Warwick's **sales revenue** in 3Q24 amounted to PLN 172mn, close to our forecasts and consensus. Segment sales were also in line with our expectations.

**EBITDA** in 3Q24 was PLN 11mn, 14% above our expectations and 10% above consensus. Slightly higher-than-anticipated profitability in aftersales and vacuum metallurgy compensated for weaker margins in CAB and vacuum furnaces.

PLN mn	Q3'24	Q3'23	Change	Q3'24e	Diff.	Consensus	Diff.	2024e	YTD
Revenues	172	152	13%	174	-1%	173	-1%	713	75%
EBITDA	11	12	-7%	10	14%	10	10%	44	73%
EBITDA margin	6%	8%		6%		6%		6%	
EBIT	6	8	-14%	5	19%	6	18%	26	71%
Net income	4	5	-31%	3	10%	3	14%	18	72%

**Net income** in 3Q24 was PLN 4mn, beating our expectations by 10% and the consensus by 14%.

The strength of the results is the high **cash flow from operations** in 3Q24. As a result, **net debt** also fell by PLN 19mn to PLN 41mn over the quarter.

PLN mn	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	change y/y	Q3'24e	Diff.
Vacuum furnaces	45	49	48	42	45	42	43	-11%	42	2%
Atmosphere furnaces	0	0	0	0	0	0	0	-	0	
CAB AP	33	41	32	32	35	31	35	10%	35	1%
Vacuum metallurgy	60	50	39	58	64	53	53	35%	53	0%
Aftersales	33	39	33	49	38	54	41	21%	44	-8%
Other	0	0	-2	2	0	0	0	-100%	0	-
EBITDA	16	13	12	15	14	7	11	-7%	10	14%
EBITDA margin	10%	7%	8%	9%	7%	4%	6%		6%	
OCF	2	-9	10	56	7	-6	40	313%	7	483%
Backlog	560	525	530	776	686	635	695	31%	661	5%
Order intake	174	136	157	436	98	114	233	-	200	-

The value of **new orders** acquired in 3Q24 exceeded our PLN 200mn target. After the 1H24 results, the Management Board expected to raise ~PLN 400mn in the second half of the year. The **order backlog** amounted to nearly PLN 700mn at the end of 3Q24, the highest since 4Q23.

### 3Q24 conference call highlights

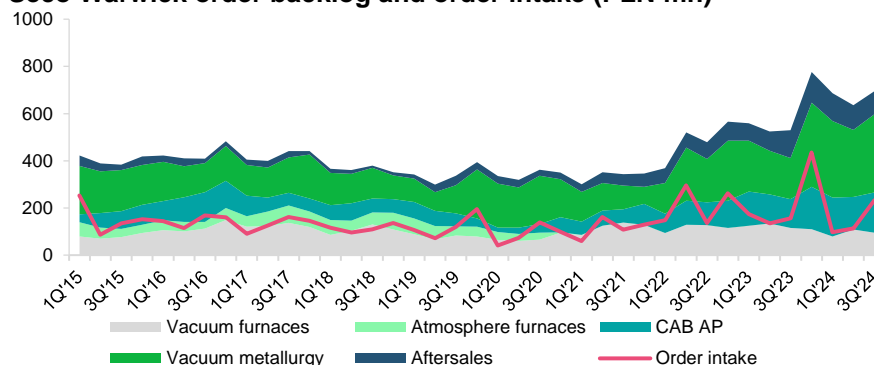
Sales were slightly higher q/q in 3Q24 despite the seasonal sales hole. Revenues were negatively impacted by foreign exchange rates, primarily the strengthening of the PLN. SG&A costs were similar y/y through PLN appreciation and greater cost control. The valuation of exchange rate hedging transactions helped.

Another (3Q24) strong quarter in vacuum furnaces thanks to good sales to the aerospace industry, among others. Margin declines in AP and CAB are due to lower sales and the strengthening PLN. EU sales continued to decline in 3Q24 at the expense of higher sales in the US.

3Q24 was a good quarter in terms of cash generation. **Capital expenditures** were in line with full-year guidance - 34.4 in 1-3Q24. The company increased debt by PLN 40mn (higher utilization of credit lines).

The inflow of **new orders** in 3Q24 was PLN 233mn, mainly in VME, weaker in vacuum furnaces. The order backlog increased to PLN 695mn at the end of 3Q24. Of this **backlog**, PLN 155mn is due in 4Q24 and PLN 437mn in 2025. Management is targeting a **year-end order backlog close to the end of 2023**.

### Seco Warwick order backlog and order intake (PLN mn)



Source: Seco Warwick

Seco Warwick has delivered a prototype reduction furnace to a customer (**Green Iron**). Testing of the unit with the batch will begin in December. Later, the customer will decide on further orders.

So far, there are no signs that the 2025 **incentive program** will continue.

**Outlook:** Potential for **record sales in 2024**. The observed weakening of the PLN is favorable for sales profitability in the coming quarters and **improved competitiveness**. Potential political and economic changes in the US are a challenge, but the stimulating of the US economy itself should translate positively into sales. Management is increasing the self-reliance of companies in the US to be prepared for potential tariffs. In Europe, there is low activity in industry overall. In the US, high activity is seen in aerospace, armaments and metals. In China, higher activity in energy and aerospace, but noticeably weak sentiment in Automotive. Management is counting on another quarter of **high new order inflows** and an increase in the value of the order backlog at year-end (q/q). **CAPEX** for the full year should be in the PLN 45-50mn range communicated earlier.

## Assumptions

### Income statement

(mn PLN)	2021	2022	2023	2024e	2025e	2026e
<b>Net sales</b>	<b>463</b>	<b>623</b>	<b>684</b>	<b>713</b>	<b>753</b>	<b>790</b>
Vacuum furnaces	137	191	184	166	150	159
Atmosphere furnaces	2	0	0	0	0	0
CAB AP	98	154	138	143	142	127
Vacuum metallurgy	127	152	208	228	299	292
Aftersales	98	124	154	176	163	212
Other	0	2	0	0	0	0
<b>Costs</b>	<b>359</b>	<b>485</b>	<b>531</b>	<b>571</b>	<b>604</b>	<b>631</b>
Gross profit from sales	104	137	153	142	149	159
Vacuum furnaces	32	44	42	37	35	35
Atmosphere furnaces	-3	0	0	0	0	0
CAB AP	18	38	38	27	26	23
Vacuum metallurgy	30	16	23	21	33	31
Aftersales	27	40	51	58	55	70
Other	0	0	-1	-2	0	0
<b>EBIT</b>	<b>24</b>	<b>42</b>	<b>41</b>	<b>26</b>	<b>29</b>	<b>36</b>
Net financials	-1	-3	-10	-3	-4	-3
Gross profit	19	33	30	23	26	32
CIT	2	1	6	5	6	8
Minorities	0	1	1	0	1	1
Net Income after minorities	17	31	35	18	21	25
<b>adj. EBITDA</b>	<b>37</b>	<b>57</b>	<b>57</b>	<b>44</b>	<b>48</b>	<b>56</b>
<b>adj. Net profit</b>	<b>17</b>	<b>31</b>	<b>35</b>	<b>18</b>	<b>21</b>	<b>25</b>

Source: SecoWarwick, forecasts by Erste Group Research

### Income statement

(mn PLN)	2021	2022	2023	2024e	2025e	2026e
Backlog	347	566	776	756	687	648
New orders	459	842	902	685	685	750
Book to bill	1.3	1.1	0.9	0.9	1.1	1.2

Source: SecoWarwick, forecasts by Erste Group Research



**Cash flow**

(mn PLN)	2021	2022	2023	2024e	2025e	2026e
<b>Cash flow from operating activities</b>	<b>10</b>	<b>27</b>	<b>59</b>	<b>32</b>	<b>38</b>	<b>45</b>
Working capital	-3	12	7	-4	-1	-1
<b>Cash flow from investing activities</b>	<b>-9</b>	<b>-12</b>	<b>-22</b>	<b>-50</b>	<b>-25</b>	<b>-19</b>
CAPEX	-9	-12	-22	-50	-25	-19
<b>Cash flow from financing activities</b>	<b>0</b>	<b>5</b>	<b>-35</b>	<b>-10</b>	<b>-19</b>	<b>-21</b>
Dividend/buyback	-14	-3	-10	-10	-10	-12
<b>Cash flow</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>-29</b>	<b>-6</b>	<b>5</b>
CFO/EBITDA	26%	47%	103%	73%	79%	80%
FCFF	1	15	37	-18	13	26
<b>FCFF/EV</b>	<b>0%</b>	<b>5%</b>	<b>12%</b>	<b>-6%</b>	<b>4%</b>	<b>8%</b>
DPS	0.48	0.25	1.00	1.00	1.00	1.23
Dividend payment ratio	35.9%	15.1%	32.7%	28.2%	54.6%	60.0%
<b>DYield</b>	<b>1.7%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>4.2%</b>

Source: SecoWarwick, forecasts by Erste Group Research

**Balance sheet**

(mn PLN)	2021	2022	2023	2024e	2025e	2026e
<b>Fixed assets</b>	<b>167</b>	<b>166</b>	<b>190</b>	<b>222</b>	<b>229</b>	<b>228</b>
Tangible assets	75	82	101	133	140	139
Intangible assets	47	48	52	52	52	52
Goodwill	41	32	32	32	32	32
Deferred charges and accruals	1	2	3	3	3	3
<b>Current assets</b>	<b>295</b>	<b>415</b>	<b>437</b>	<b>423</b>	<b>438</b>	<b>462</b>
Inventories	62	89	89	93	98	103
Receivables	106	106	132	138	146	153
Cash	41	74	76	47	41	46
<b>Equity</b>	<b>167</b>	<b>222</b>	<b>243</b>	<b>251</b>	<b>262</b>	<b>275</b>
Minorities	1	2	3	3	4	4
<b>Long term liabilities</b>	<b>23</b>	<b>26</b>	<b>44</b>	<b>39</b>	<b>34</b>	<b>29</b>
Debt	23	26	41	36	31	26
<b>Short term liabilities</b>	<b>100</b>	<b>150</b>	<b>159</b>	<b>164</b>	<b>170</b>	<b>176</b>
Debt	34	65	51	51	51	51
Trade liabilities	66	85	108	112	119	124
Deferred charges and accruals	80	127	158	165	174	183
<b>Net Debt</b>	<b>16</b>	<b>18</b>	<b>17</b>	<b>41</b>	<b>42</b>	<b>32</b>
DN/EBITDA	0.4	0.3	0.3	0.9	0.9	0.6
DN/adjusted EBITDA	0.4	0.3	0.3	0.9	0.9	0.6

Source: SecoWarwick, forecasts by Erste Group Research

**Ratios**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
P/E	17.7	9.8	8.2	15.8	14.1	11.5
<b>P/E adj.</b>	<b>17.7</b>	<b>9.8</b>	<b>8.2</b>	<b>15.8</b>	<b>14.1</b>	<b>11.5</b>
EV/EBITDA	8.5	5.5	5.4	7.6	6.9	5.8
<b>EV/EA adj.</b>	<b>8.5</b>	<b>5.5</b>	<b>5.4</b>	<b>7.6</b>	<b>6.9</b>	<b>5.8</b>
P/S	0.6	0.5	0.4	0.4	0.4	0.4
P/BV	1.8	1.3	1.2	1.2	1.1	1.1
<b>EBITDA margin</b>	<b>8.0%</b>	<b>9.2%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>7.1%</b>
EBITDA r/r change	15%	55%	0%	-23%	10%	17%
Net income margin	3.7%	4.9%	5.2%	2.6%	2.7%	3.2%
<b>EPS y/y change</b>	<b>23%</b>	<b>81%</b>	<b>19%</b>	<b>-48%</b>	<b>12%</b>	<b>22%</b>
Share price (PLN)	29.00	29.00	29.00	29.00	29.00	29.00
Number of shares (mn)	10.3	10.3	10.0	10.0	10.0	10.0
MCap	299	299	290	290	290	290
EV	315	317	307	331	332	322

Source: SecoWarwick, forecasts by Erste Group Research

<b>Income Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
(IAS, PLN mn, 31/12)	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026
<b>Net sales</b>	<b>463.20</b>	<b>622.73</b>	<b>683.66</b>	<b>712.62</b>	<b>753.28</b>	<b>789.85</b>
Cost of goods sold	358.94	485.39	530.55	570.59	604.26	630.73
<b>Gross profit</b>	<b>104.26</b>	<b>137.34</b>	<b>153.11</b>	<b>142.03</b>	<b>149.02</b>	<b>159.12</b>
SG&A	76.41	94.77	112.71	115.52	119.54	123.32
Other operating revenues	2.12	4.84	4.34	1.98	0.00	0.00
Other operating expenses	-5.96	-5.36	-4.24	-2.54	0.00	0.00
<b>EBITDA</b>	<b>36.91</b>	<b>57.06</b>	<b>56.80</b>	<b>43.54</b>	<b>47.96</b>	<b>55.96</b>
Depreciation/amortization	-12.89	-15.01	-16.30	-17.57	-18.48	-20.15
<b>EBIT</b>	<b>24.01</b>	<b>42.05</b>	<b>40.50</b>	<b>25.96</b>	<b>29.48</b>	<b>35.81</b>
Financial result	-0.62	-3.09	-10.02	-2.91	-3.57	-3.44
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>19.45</b>	<b>33.34</b>	<b>30.27</b>	<b>23.05</b>	<b>25.91</b>	<b>32.36</b>
Income taxes	2.15	1.28	6.23	5.14	5.90	7.88
Result from discontinued operations						
Minorities and cost of hybrid capital	11.40	13.44	14.10	14.40	15.52	16.65
<b>Net result after minorities</b>	<b>16.91</b>	<b>30.62</b>	<b>35.41</b>	<b>18.31</b>	<b>20.54</b>	<b>25.13</b>
<b>Balance Sheet</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
(IAS, PLN mn, 31/12)						
Intangible assets	75.23	82.00	100.94	133.36	139.88	138.73
Tangible assets	47.30	48.47	52.31	52.31	52.31	52.31
Financial assets	2.06	2.19	1.64	1.64	1.64	1.64
<b>Total fixed assets</b>	<b>166.89</b>	<b>166.20</b>	<b>189.88</b>	<b>222.30</b>	<b>228.82</b>	<b>227.67</b>
Inventories	295.35	415.46	436.70	422.97	438.32	462.16
Receivables and other current assets	105.57	106.38	132.32	137.93	145.80	152.87
Other assets	98.01	157.94	148.67	155.42	164.49	172.75
Cash and cash equivalents	41.20	73.90	75.74	46.95	41.08	45.84
<b>Total current assets</b>	<b>393.35</b>	<b>573.41</b>	<b>585.37</b>	<b>578.39</b>	<b>602.81</b>	<b>634.91</b>
<b>TOTAL ASSETS</b>	<b>462.24</b>	<b>581.66</b>	<b>626.58</b>	<b>645.28</b>	<b>667.15</b>	<b>689.83</b>
Shareholders'equity	166.64	221.66	242.89	251.20	261.73	274.54
Minorities	1.20	2.41	2.68	3.08	3.59	4.24
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	23.47	26.34	41.46	36.46	31.46	26.46
Other LT liabilities	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total long-term liabilities</b>	<b>23.47</b>	<b>26.34</b>	<b>44.41</b>	<b>39.41</b>	<b>34.41</b>	<b>29.41</b>
Interest-bearing ST debts	34.05	65.45	51.49	51.49	51.49	51.49
Other ST liabilities	157.46	224.12	278.93	291.19	308.01	323.23
<b>Total short-term liabilities</b>	<b>100.07</b>	<b>150.14</b>	<b>159.10</b>	<b>163.66</b>	<b>170.06</b>	<b>175.82</b>
<b>TOTAL LIAB. , EQUITY</b>	<b>462.24</b>	<b>581.66</b>	<b>626.58</b>	<b>641.55</b>	<b>663.42</b>	<b>686.10</b>
<b>Cash Flow Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
(IAS, PLN mn, 31/12)						
Cash flow from operating activities	9.56	26.55	58.57	31.65	37.70	44.52
Cash flow from investing activities	-8.55	-11.67	-21.62	-50.00	-25.00	-19.00
Cash flow from financing activities	0.00	0.00	1.84	-28.78	-5.87	4.75
<b>CHANGE IN CASH , CASH EQU.</b>	<b>54.22</b>	<b>73.90</b>	<b>75.74</b>	<b>46.95</b>	<b>41.08</b>	<b>45.84</b>
<b>Margins &amp; Ratios</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Sales growth	18.9%	34.4%	9.8%	4.2%	5.7%	4.9%
EBITDA margin	8.0%	9.2%	8.3%	6.1%	6.4%	7.1%
EBIT margin	5.2%	6.8%	5.9%	3.6%	3.9%	4.5%
Net profit margin	3.7%	4.9%	5.2%	2.6%	2.7%	3.2%
ROE	9.1%	15.8%	15.2%	7.4%	8.0%	9.4%
ROCE	7.6%	11.3%	9.7%	5.0%	4.3%	5.8%
Equity ratio	35.8%	37.7%	38.3%	38.7%	38.9%	39.4%
Net debt	16.3	17.9	17.2	41.0	41.9	32.1
Working capital	195.3	265.3	277.6	259.3	268.3	286.3
Capital employed	181.8	237.1	260.4	292.1	303.0	305.4
Inventory turnover	-1.2	-1.4	-1.2	-1.3	-1.4	-1.4

Source: Company data, Erste Group estimates

**Disclaimer**

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies. SecoWarwick has been covered by this investment research under the Warsaw Stock Exchange's Analytical Support Programme (the "Programme"). The Programme assumes that Erste Securities Polska S.A. will receive remuneration from the Warsaw Stock Exchange for the analytical coverage of SecoWarwick. To the above extent, the Warsaw Stock Exchange, as the principal, is entitled to the copyrights to the report. The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time without further notice. It only serves for the purpose of providing non-binding information and does not constitute investment advice or investment recommendations. This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the security or financial product. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any security or financial product has a different risk level. Performance charts and example calculations do not provide any indication for future performance of the security or the financial product. Information about past performance does not necessarily guarantee a positive development in the future and investments in securities or financial products can be of risk and speculative nature. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – the intended purchase of the security or financial product is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. Investment research is produced by Erste Group's division for investment research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed Company, Erste Group, or any other person. While all reasonable care has

been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document. Erste Group, associated companies as well as representatives and employees may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the financial instruments or other securities of) the Company.

Further, Erste Group, associated companies as well as representatives and employees may offer investment services to the Company or may take over management function in the Company. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial products described herein are restricted or interdicted in certain jurisdictions. This, in particular, applies to the United States, Canada, Switzerland, Australia, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material.

Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all. All information provided in this Document is non-binding. Misprints and printing errors reserved.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses

A history of all recommendations within the last 12 months is provided under the following link:

<https://www.erstegroup.com/en/research/research-legal>

## Explanation of valuation parameters and risk assessment

Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:

<https://produkte.erstegroup.com/Retail/de/PDF/Bewertungsmethode/index.phtml>

## Planned frequency of updates for recommendations

Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

## Links

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

Additional notes to readers in the following countries:

**Austria:** Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnenmannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

**Germany:** Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United Kingdom:** Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

**Czech Republic:** Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

**Croatia:** Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

**Hungary:** Erste Bank Hungary ZRT. and Erste Investment Hungary Ltd. are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

**Serbia:** Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

**Romania:** Banka Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

**Poland:** Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

**Slovakia:** Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

**Switzerland:** This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

Hong Kong: This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Great Britain: This document is only made to or directed at investment professionals (as that term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial promotion) Order 2005 ("FPO")) or to persons for whom it would otherwise be lawful to distribute it. Accordingly, persons who do not have professional experience in matters relating to investments should not rely on this document.

© Erste Group Bank AG and Erste Securities Polska S.A. 2023. All rights reserved.

Published by:

Erste Securities Polska S.A.  
Research  
00-103 Warsaw, Poland, Krolewska 16  
Head Office: Warsaw  
Commercial Register (KRS) No: 0000065121  
District Court for the Capital City of Warsaw, XII Commercial  
Division  
Erste Securities Polska Homepage: [www.esp.pl](http://www.esp.pl)

Erste Group Bank AG  
Group Research  
1100 Vienna, Austria, Am Belvedere 1  
Head Office: Wien  
Commercial Register No: FN 33209m  
Commercial Court of Vienna  
Erste Group Homepage: [www.erstegroup.com](http://www.erstegroup.com)